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IN THE

Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS INC., *et al.*,

Petitioners,

v.

GROKSTER, LTD., *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF VACATUR AND REMAND

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF VACATUR AND REMAND

The American Intellectual Property Law Association ("the AIPLA") respectfully submits this brief as *amicus curiae* in support of vacatur and remand.

INTEREST OF *AMICUS CURIAE*

The AIPLA is a national bar association of more than 16,000 members with interests and practices primarily in the areas of patent, trademark, copyright, and trade secret law. Unlike areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most intellectual property lawyers represent both intellectual property owners and alleged infringers.

The AIPLA has no interest in any party to this litigation or stake in the outcome in this case, other than its interest in seeking a correct interpretation and application of the copyright laws.

In accordance with Supreme Court Rule 37.3(a), the AIPLA has obtained written consent to the filing of this brief from the counsel of record for the parties. The letters of consent have been filed with the Clerk of the Court.[1]

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1. In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel.

SUMMARY OF ARGUMENT

The concept of secondary liability is well recognized in virtually all areas of the law. Although the Copyright Act does not explicitly provide that one party can be held liable for the infringement committed by another, the federal courts have imposed secondary liability for copyright infringement under two theories, "contributory infringement" and "vicarious liability."

AIPLA respectfully requests that this Court recognize that "contributory infringement" in copyright law includes "active inducement," much as that concept is known in patent law, and that a showing of "substantial noninfringing uses" is not a defense to "active inducement." AIPLA further requests that this Court remand the case for a determination as to whether "active inducement" can be established.

As in other areas of the law, secondary liability in copyright law must take into account and carefully balance strongly competing interests. That is particularly true when secondary copyright liability is premised on activities related to the distribution of a new product. Indeed, in those circumstances, there is a confluence of interests with many of those underlying patent law. On the one hand, the public benefits from a strong copyright system that promotes the creation and efficient protection of creative works by copyright owners. On the other hand, the public also benefits from new and better technology for accessing and distributing information, and from profitable business opportunities based on such new technology.

These competing interests are fully in play in the present case. Respondents seek to distribute innovative peer-to-peer file sharing software that allows individual computer users on the

internet to efficiently find and freely share information in their computer files with one another. This of course has the beneficial potential of allowing the public to share much useful information and of allowing willing copyright owners to distribute their creative works. But it also allows the individuals who use such software to engage in unrestricted and unauthorized reproduction and distribution of copyrighted works. Indeed, in this case there appears to be no real dispute that, at least at present, the software's "primary use" is the unauthorized copying and distribution of copyrighted music and motion pictures in violation of the rights of copyright owners.

In *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the Court was faced with the competing interests noted above, and set forth a legal standard that attempted to appropriately balance them. The *Sony* Court confronted a claim of secondary liability, as this Court confronts now, against the distributor of a relatively new product (the Betamax video tape recorder) that could be (and was) used both for legitimate and for infringing purposes. The *Sony* Court also confronted an allegation, as this Court confronts now, that the "primary use" for the product at issue was copyright infringement. *Id.* at 427-28; *id.* at 493 (Blackmun, J., dissenting).

In that context—and recognizing that the predication of contributory copyright liability on the sale of a new product implicated many of the same policies underlying the patent law—the *Sony* Court looked to patent law for an appropriate legal standard. *Id.* at 440-41. The Court adopted a rule that there could be no secondary copyright liability for the mere sale of a product if the product was "capable of substantial noninfringing uses." *Id.* at 442.

Unlike this case, in which the software's "primary use" is currently copyright infringement, the Court in *Sony* ultimately determined that the "primary use" for the product at issue was not in fact copyright infringement but instead was a "fair use." As such, the Court was not required to (and expressly declined to) go further in terms of grappling with the full meaning of the phrase "capable of substantial noninfringing uses." *Id.* at 442. Thus, this case potentially presents questions not required to be reached in *Sony*, namely: (1) does *Sony's* "capable of substantial noninfringing uses" standard still apply even when the "primary use" of the product at issue is copyright infringement? if so, (2) what does it mean to be "capable of *substantial* noninfringing uses"? and (3) are there circumstances under which there should be secondary liability for the distributor of a product even when that product is "capable of substantial noninfringing uses"?

AIPLA's argument focuses on the third question because AIPLA believes that it may lead to the most balanced and harmonized answer to this case.[2]

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2. AIPLA offers only abbreviated answers to the first two questions. Although the first question is a close one, AIPLA believes that the standard adopted in *Sony* strikes an appropriate balance, and there are no compelling reasons to depart from that precedent. Thus, the balance struck in *Sony* is also reflected in AIPLA's answer to the third question.

On the second question, AIPLA recognizes that the Ninth and Seventh Circuits have apparently differed. *Compare Metro-Goldwyn-Mayer, Inc. v. Grokster, Ltd.*, 380 F.3d 1154, 1160-61 (9th Cir. 2004) (rejecting argument that the amount of noninfringing use was relevant: "[I]n order for limitations imposed by *Sony* to apply, a product need only be *capable* of substantial noninfringing uses.") *with In re Aimster* (Cont'd)

Just as the patent law provided an answer to the first question in *Sony*, patent law also provides an answer to the third question in this case. The patent law, from which *Sony* derived its standard, demonstrates that a showing of "substantial noninfringing uses" (recited in 35 U.S.C. § 271(c)) is not a defense when there is "active inducement" (codified in 35 U.S.C. § 271(b)). A defendant is liable for active inducement when (1) the defendant takes actions which induce (*i.e.*, encourage) acts by another which constitute infringement; (2) the defendant has notice of the infringing nature of those acts; and (3) the defendant has an "intent to cause the acts which constitute the infringement." *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990). It is no defense to "active inducement" that the infringing acts were undertaken with a product "capable of substantial noninfringing uses."

(Cont'd)
Copyright Litigation, 334 F.3d 643, 651-53 (7th Cir. 2003) (rejecting argument that physical possibility of noninfringing uses were relevant because there was no evidence that potential noninfringing uses had been the subject of *actual* use).

In response, AIPLA observes that the *Sony* standard refers to noninfringing uses (1) of which the product is "capable" *and* (2) which are "substantial." Thus, a "potential" noninfringing use (suggested by the nature of the product but for which there is no evidence of actual use) is not necessarily deficient, but at the same time, a noninfringing use that is merely a physical possibility may not be sufficient. This observation is consistent with the patent law from which the *Sony* standard was derived, which demonstrates that a use is not a "substantial" one if it is "farfetched, illusory, impractical, or merely experimental." CHISUM ON PATENTS § 17.03[3] n.8 (2004) (collecting cases).

Not only does patent law demonstrate that a showing of "substantial noninfringing uses" is not a complete defense to secondary liability, it also substantiates the idea that "active inducement" is a form of "contributory infringement." As the late Judge Giles Rich explained, both theories of secondary patent liability were once included in the case law under the single label of "contributory infringement." *Hewlett-Packard*, 909 F.2d at 1469. It was not until the 1952 Patent Act that they were separated.

Thus, AIPLA urges the Court to recognize that the doctrine of "contributory infringement" in copyright law includes liability for "active inducement," much as the pre-1952 patent case law doctrine of "contributory infringement" included liability for "active inducement." Under this theory of liability, even a distributor of a product that is "capable of substantial noninfringing uses" can be secondarily liable for infringing acts of the users of the product.

This theory of liability is fully consistent with *Sony*. Significantly, the *Sony* Court noted that the plaintiff's theory of secondary liability was premised on the defendant's mere sale of the product (coupled with the defendant's awareness that some of its customers would use the product to make unauthorized copies of copyrighted material). *Id.* at 439, 440. The *Sony* Court made a point of observing that there was no evidence that any of the defendant's other activities, such as advertising, had led to direct infringement by its customers. *Id.* at 438. The Court also distinguished the situation in which a defendant "suppl[ies] its products to identified individuals known by it to be engaging in continuing infringement" or otherwise "intentionally induc[es]" its customers to make infringing uses of its product. *Id.* at 439 n.19.

Recognition that "active inducement" is part of the law of contributory infringement strikes an appropriate balance among the interests described above; indeed it strikes the same balance as was struck in *Sony*. As made clear by the history of the patent law from which the *Sony* standard was derived, a showing that a product had no "substantial noninfringing uses" resulted in a presumption that its distributor had an *intent* to cause the infringing uses. *Hewlett-Packard*, 909 F.2d at 1469. Thus, limiting liability to situations in which a product is not "capable of substantial noninfringing uses" is presumptively the same as imposing a requirement that the distributor of the product have an intent to cause the acts which constitute the infringement. There is no reason to allow secondary liability when intent can be presumed but to withhold it when it can be separately proven.

The Ninth Circuit misapprehended the full range of circumstances in which a party can be held liable for "contributory infringement" because it did not appreciate the full breadth of the theory of "active inducement" that remains after *Sony*. Accordingly, even if the district court was correct in granting summary judgment that Respondents' products are "capable of substantial noninfringing uses," the judgment should be vacated and the case remanded for a determination as to whether Respondents are liable for "active inducement."[3]

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3. AIPLA offers no conclusion as to whether Respondents are liable under the separate copyright doctrine of "vicarious liability," but it does offer some passing observations on that topic. Because "vicarious liability" in this case, like "contributory infringement," would be predicated largely on the distribution of a product, there is the same confluence of underlying interests with patent law as were identified in *Sony*. Indeed, the *Sony* Court expressly stated that its analysis of secondary liability "necessarily entail[ed] consideration of arguments and case law" not only relevant to "contributory

(Cont'd)

ARGUMENT

I. The Ninth Circuit Failed To Recognize That "Contributory Infringement" After *Sony* Properly Includes "Active Inducement" And Thus Too Narrowly Identified The Circumstances Under Which *Sony* Allows For "Contributory Infringement" When There Has Been A Showing of "Substantial Noninfringing Uses"

The Ninth Circuit misapprehended the full range of circumstances in which a party should be held liable for "contributory infringement." Although the Ninth Circuit properly recognized that *Sony* limits the circumstances under which a finding of "contributory infringement" can be made, it identified those circumstances too narrowly.

The proper limiting effect of the *Sony* rule is best understood by examining the patent law from which the rule was derived. Such an examination demonstrates that a defendant can be liable for "contributory infringement" even when its challenged actions are taken in connection with a product that is "capable of substantial noninfringing uses." Specifically, there is liability for contributory copyright infringement when the defendant has engaged in "active inducement."

(Cont'd)
infringement" but also to theories "under . . . other labels," including vicarious liability. *Sony*, 464 U.S. at 435 n.17. It only makes sense that if the mere sale of the product in *Sony* could not give rise to "contributory infringement," it also could not give rise to "vicarious liability." For this reason, AIPLA urges caution in considering any argument that the right to supervise or control required for "vicarious liability" can be predicated on an ability to *modify* one's product so as to obtain the requisite supervision or control. Such an argument must be reconciled with the fact that the same could have been said in *Sony*.

In this case, the Ninth Circuit stated that the requirements to establish contributory infringement were: "(1) direct infringement by a primary infringer, (2) knowledge of the infringement, and (3) material contribution to the infringement." *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1160 (9th Cir. 2004). The Ninth Circuit then properly recognized that, despite the breadth of this formulation, the holding in *Sony* implicitly limited the circumstances in which contributory infringement can be found when liability is premised on the distribution of a product. *Id.* In attempting to identify those circumstances, however, the Ninth Circuit viewed *Sony* too restrictively.

The Ninth Circuit interpreted *Sony* "to apply to the knowledge element of contributory copyright infringement." *Id.* It held that "if a defendant [can] show that its product [is] capable of substantial or commercially significant noninfringing uses, then constructive knowledge of the infringement [can] not be imputed." *Id.*

Significantly, the Ninth Circuit properly concluded that a "substantial noninfringing use" is not a complete defense to contributory infringement. Nevertheless, the Ninth Circuit viewed the remaining circumstances under which contributory infringement could be found too narrowly. According to the Ninth Circuit, if a substantial noninfringing use was shown, "the copyright owner would be required to show that the defendant had reasonable knowledge of specific infringing [uses]" at a time when it contributed to those infringing uses. *Id.* at 1161.

The district court determined that there were no genuine issues as to whether Respondents' software was "capable of substantial noninfringing uses" and granted summary judgment

for the defendants. 259 F. Supp. 2d 1029, 1035-43 (C.D. Cal. 2003). The Ninth Circuit affirmed this determination. 380 F.3d at 1161-62. The Ninth Circuit dismissed the remainder of Petitioners' contributory infringement claims by reasoning that the only "material contribution" by Respondents was the distribution of their software, and because Respondents had distributed their software to persons before gaining any "reasonable knowledge of specific infringing [uses]" by those persons, there could be no contributory infringement. *Id.* at 1162-63.

Both the district court and the Ninth Circuit failed to recognize, however, that "active inducement" is available as a theory of "contributory infringement" after *Sony*. As more fully discussed below, "active inducement" may be shown when a defendant takes actions which induce infringing acts, with notice of the infringing nature of those acts and with an intent to cause those acts. The Ninth Circuit did not allow for this theory of liability.

II. "Active Inducement" Is A Proper Basis For "Contributory Infringement" After *Sony*, Even When There Has Been A Showing of "Substantial Noninfringing Uses"

The proper limiting effect of the *Sony* rule is best understood by examining the patent law from which the rule was derived, as well as the text of *Sony* itself. Such an examination demonstrates that "contributory infringement" in copyright law after *Sony* includes "active inducement."

Perhaps the most oft-cited formulation for the doctrine of "contributory infringement" in copyright law comes from the Second Circuit in *Gershwin Publishing Corp. v. Columbia*

Artists Mgmt., Inc., 443 F.2d 1159, 1162 (2d Cir. 1971): "[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." *See, e.g.*, NIMMER ON COPYRIGHT § 12.04[A][2][a] (2004) (quoting *Gershwin*). It should be noted that this formulation of "contributory infringement" includes both "inducing" and "materially contributing." It also requires *knowledge* of the infringing activity, but does not expressly require *intent* that the activity occur.

It was on the basis of a formulation of "contributory infringement" such as that in *Gershwin* that the plaintiffs in *Sony* pressed their claim for contributory infringement. In their view, the defendant (Sony) had been put on notice (and therefore had the relevant level of knowledge) that users of its product (the Betamax video tape recorder) were engaging in copyright infringement, and the defendant "induce[d], cause[d], or materially contribute[d] to the infringing conduct" by continuing to sell its product to such users.

In response, the *Sony* Court adopted the rule from patent law that the mere sale of a product, when coupled with only general notice about the intentions of the product's users, could not constitute contributory copyright infringement if the product was "capable of substantial noninfringing uses." *Sony*, 464 U.S. at 442.

Significantly, the *Sony* Court distinguished its own facts from the situation in which a defendant "suppl[ies] its products to identified individuals known by it to be engaging in continuing infringement" or otherwise "*intentionally* induc[es]" its customers to make infringing uses of its

product. *Id.* at 439 n.19 (emphasis added). It also noted that there was no evidence that any of the defendant's other activities, such as advertising, had led to direct infringement by its customers. *Id.* at 438.

The implication is that if such facts had been present, there could have been liability for inducement—active inducement. On the facts, however, active inducement could not be found because (1) knowledge of the uses to which Sony's product would be put was too general, when coupled with the mere sale of a product with substantial noninfringing uses, to infer an intent to cause the uses that constituted the infringement; and (2) there were no additional actions, such as advertising or instructions, from which to infer an intent to cause the uses that constituted the infringement.

It follows that, even after *Sony*, a defendant may be liable for "inducing" infringement if it (1) takes actions which induce (*i.e.*, facilitate or encourage) acts by another which constitute infringement (already recognized as a predicate for "contributory infringement" under the formulation in *Gershwin*); (2) has notice of the infringing nature of those acts (already required under any conventional formulation of "contributory infringement"); and (3) manifests an intent to cause those acts. Those are the very elements that define "active inducement."

The fact that the *Sony* Court assumed knowledge on the part of the defendant demonstrates that the Ninth Circuit was incorrect in concluding that the *Sony* rule altered the "knowledge" requirement for contributory infringement. Instead, an examination of the patent law from which the *Sony* rule was derived demonstrates that *Sony added* what is effectively an *intent* requirement when the "material contribution" prong is predicated on activities related to the distribution of a product.

A. *Patent Law, From Which Sony Derived Its Standard, Demonstrates That A Showing of "Substantial Noninfringing Uses" Is Not A Defense When There Is "Active Inducement"*

Today, the term "contributory infringement" in patent law refers to secondary liability under 35 U.S.C. § 271(c). Since the 1952 Patent Act that introduced this statutory provision, it has been apparent in patent law that the sale of a product that is "suitable for substantial noninfringing use" cannot form the basis for a claim of "contributory infringement" under section 271(c). That statute expressly makes the absence of "substantial noninfringing uses" a prerequisite for liability. Thus, a defendant may avoid liability under that statutory provision by demonstrating that its product is "suitable for substantial noninfringing use." *See, e.g., C.R. Bard, Inc. v. Advanced Cardiovascular Systems, Inc.*, 911 F.2d 670, 674-75 (Fed. Cir. 1990).

As an important aside, knowledge of the infringing nature of the product's use is also a requirement under section 271(c), just as it has always been with contributory copyright infringement. Therefore, a defendant may also avoid liability under section 271(c) if the defendant was not aware of the infringing nature of the uses for its product. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488-90 (1964) (finding the knowledge requirement satisfied by a letter from patent owner to defendant).

In *Sony*, this Court determined that the language from section 271(c) struck an appropriate balance in the analogous area of contributory copyright infringement. Thus, this Court stated that "the sale of copying equipment . . . does not constitute contributory infringement if the product is

widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses." *Sony*, 464 U.S. at 442. Although the *Sony* formulation is slightly different from the language of the patent statute ("suitable for substantial noninfringing use" vs. "capable of substantial noninfringing uses"), the *Sony* court indicated that it was adopting the standard from patent law. *Id.* at 439-42. Both *Sony* and section 271(c) expressly limit themselves to situations in which the secondary liability sought to be imposed is "predicated entirely" on the sale or distribution of a product. *Id.* at 440; *see* 35 U.S.C. § 271(c) ("Whoever offers to sell or sells within the United States or imports into the United States a component. . . .").

Although it is well understood that a demonstration of "substantial noninfringing use" is a defense to "contributory infringement" under 35 U.S.C. § 271(c), it is equally well understood in patent law that such a demonstration is not a defense to liability under 35 U.S.C. § 271(b). As noted above, secondary liability under section 271(b) is referred to in patent law as "active inducement." In patent law, a defendant may be liable under section 271(b) for "actively inducing" direct infringement by another even if its actions are associated with the sale of a product that is "suitable for substantial noninfringing use." CHISUM ON PATENTS § 17.04[3] n.9 (2004) (collecting cases).

Although a showing of "substantial noninfringing use" is not a defense to active inducement under section 271(b), liability cannot be established unless it is shown that the defendant had an "intent to cause the acts which constitute the infringement." *Hewlett-Packard*, 909 F.2d at 1469. Thus, the patent law recognizes liability for "active inducement," even in connection with a product that has

substantial noninfringing uses, where the defendant has an intent to cause the product's user to engage in those uses which are infringing, the defendant's actions induce those uses, and there is the requisite knowledge of the infringing nature of those uses.

Because *Sony*'s "substantial noninfringing uses" defense was derived from patent law, that defense should limit secondary liability for copyright infringement no more than it limits secondary liability for patent infringement. Therefore, the secondary liability of "one who, with knowledge of the infringing activity, *induces* . . . the infringing conduct of another," *Gershwin*, 443 F.2d at 1162 (emphasis added), should not be eliminated after *Sony*, but merely limited to the same extent as in patent law. As in patent law, the distributor of a product should be secondarily liable for the infringing uses of the product when its actions induce the acts which constitute the copyright infringement, the requisite knowledge of the infringing nature of those acts is present, and there is an intent to cause those acts. This is so even if the product is "capable of substantial noninfringing uses." The Ninth Circuit failed to appreciate the theory of "active inducement."

B. *Recognizing "Active Inducement" As A Form of "Contributory Infringement" Is Substantiated By Pre-1952 Patent Law*

Not only does patent law demonstrate that a showing of "substantial noninfringing uses" should not be a complete defense to secondary liability, it also substantiates the idea that "active inducement" is a form of "contributory infringement."

Although induced patent infringement and contributory patent infringement today have different labels and are separately addressed in section 271(b) and section 271(c), this was not

always the case. As the late Judge Rich has explained, both theories of secondary patent liability were once included in the case law under the label of "contributory infringement." *Hewlett-Packard*, 909 F.2d at 1468-69. It was not until the 1952 Patent Act that they were separated.

Under the pre-1952 patent doctrine of "contributory infringement," secondary liability was only imposed if the plaintiff could prove both knowledge of the patent and an "intent to cause the acts which constitute the infringement." *Id.* at 1469. However, the pre-1952 case law *presumed* such an intent when a product sold by the defendant "had no other use except with the [patented] product or process." *Id.* In other circumstances, the requisite intent could be *inferred* by instructions or advertising encouraging users to carry out the acts which constituted the direct infringement or by more specific knowledge about the intent of those to whom the defendant provided the product.

One example of the pre-1952 case law is this Court's opinion in *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912), *overruled on other grounds by Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 518 (1917). In *Henry*, the plaintiff sold a patented mimeograph machine with a license restriction that allowed the customer to use it only with paper and ink sold by the plaintiff. *Id.* at 11-12. The defendants sold a can of ink to the plaintiff's customer. *Id.* The customer used the patented mimeograph machine with the defendants' ink, thereby operating outside of the terms of the license and infringing the plaintiff's patent. *Id.*

The *Henry* Court recognized that a can of ink obviously has substantial noninfringing uses. *Id.* at 48. But critically, the defendants had knowledge of the license agreement and

also had an "expectation" that the specific customer would use the ink in connection with the patented mimeograph machine. *Id.* at 11, 49. Under those circumstances, the *Henry* Court concluded that the defendants had taken actions demonstrating an intent to cause the infringing actions and were liable for "contributory infringement," as that term was understood prior to the 1952 Patent Act. *Id.* at 49. Liability for "contributory infringement" was imposed regardless of the fact that the product sold by the defendants (ink) was "capable of substantial noninfringing uses."

In imposing liability, the *Henry* Court emphasized the intent required for "contributory infringement" and how either a presumption of intent or an inference of intent could be proven:

> Undoubtedly a bare supposition that by a sale of an article which, though adapted to an infringing use, is also adapted to other and lawful uses, is not enough to make the seller a contributory infringer. Such a rule would block the wheels of commerce. There must be an intent and purpose that the article sold will be so used. Such a presumption arises when the article so sold is only adapted to an infringing use. It may also be inferred where its most conspicuous use is one which will co-operate in an infringement when sale to such user is invoked by advertisement.

Id. at 48-49 (citations omitted).

Thus, if an article were sold that was "only adapted to an infringing use," there was a *presumption* of intent to cause the infringing use. However, such an intent could also be *inferred* when, for example, the "most conspicuous use" of the article was infringement, and such an infringing use was encouraged "by advertisement." Or, on the facts of *Henry*, such an intent could also be inferred when the defendants sold the article to a specific customer, knowing that the customer would use the ink with a specific machine known to be subject to license restrictions. Secondary liability in all of these scenarios was included under the pre-1952 rubric of "contributory infringement."

In 1952, the drafters of the new Patent Act separated the single concept of "contributory infringement" between section 271(b) (where intent was inferred from the circumstances) and section 271(c) (where intent was presumed from the absence of any "substantial noninfringing uses"). *Hewlett-Packard*, 909 F.2d at 1469.

Because *Sony*'s "substantial noninfringing uses" defense was derived from patent law, it should be viewed as limiting secondary liability for copyright infringement no more than it limits secondary liability for patent infringement. Therefore, after *Sony*, "contributory infringement" in copyright law, when predicated on the distribution of a product, mirrors "contributory infringement" in the pre-1952 patent law. Not only does patent law demonstrate that a showing of "substantial noninfringing uses" should not be a complete defense to secondary liability, it is also consistent with the idea that "active inducement" is a form of "contributory infringement."

C. *Recognizing "Active Inducement" As A Form of "Contributory Infringement" Is Fully Consistent With Sony*

The two conclusions that (1) liability for "active inducement" is not precluded by a showing of "substantial noninfringing uses" and (2) "contributory infringement" in copyright law includes "active inducement" are both fully consistent with *Sony* itself.

The *Sony* Court made clear that the theory of secondary liability it was considering was "predicated entirely on the sale of an article." *Sony*, 464 U.S. at 440. It made clear that there were no other actions by the defendant or more specific knowledge on the part of the defendant on which the plaintiffs could predicate a theory of secondary liability. For example, the Court emphasized that there was no evidence that the defendant's advertising had influenced anyone to carry out infringing acts. *Id.* at 438. It also expressly stated in a footnote that the defendant had not "suppl[ied] its products to identified individuals known by it to be engaging in continuing infringement" and had not otherwise "'intentionally induc[ed]' its customers to make infringing uses" of the plaintiffs' copyrights. *Id.* at 439 n.19.

Therefore, a recognition that "contributory infringement" includes liability for "active inducement" is fully consistent with *Sony*. By expressly stating the defendant had not engaged in "intentional inducement," the *Sony* Court implicitly recognized that had such conduct been proven, there may have been liability.

But *Sony* goes even further. The adoption in *Sony* of the "substantial noninfringing uses" standard itself demonstrates that it is at *intent* that the line has been drawn to balance the

interests of product distributors, copyright owners, and the public in cases where contributory infringement is predicated on the distribution of a product. Although *Sony* did not state this in so many words, it is apparent from the patent case law from which *Sony* derived its standard. As noted above, a showing that a product is not "capable of substantial noninfringing uses" allowed for a presumption that by distributing the product there was an *intent* to cause the acts constituting the infringement. *See Henry*, 224 U.S. at 48; *Hewlett-Packard*, 909 F.2d at 1469. Thus, *Sony*'s legal standard allows liability for the mere sale of a product under circumstances giving rise to a *presumption* of such an intent. There is no reason to withhold the same liability when the same intent is proven by inference. Proof of that intent leads to proof of "active inducement."

For the foregoing reasons, the theory of "active inducement" strikes the same balance as in *Sony*, and therefore it strikes an appropriate balance. This Court should recognize that "contributory infringement" in copyright law includes "active inducement" as set forth herein and that a showing of "substantial noninfringing uses" is not a defense to "active inducement."

III. Vacatur And Remand Are Appropriate Because The Lower Courts Did Not Consider "Active Inducement"

"Active inducement" can be established in a case such as this if users of the defendants' products are engaging in acts that constitute copyright infringement, and where (1) defendants have taken action that invites or actively encourages (e.g., "induces") those acts; (2) defendants have notice of the infringing nature of those acts; and (3) the

circumstances as a whole demonstrate that the defendants have an intent to cause those acts. *Hewlett-Packard*, 909 F.2d at 1469 ("proof of actual intent to cause the acts which constitute the infringement is a necessary prerequisite to finding active inducement"); *see also Henry*, 224 U.S. at 48 ("There must be an intent and purpose that the article sold will be so used.").

At the outset, it should be clarified that to have an "intent to cause the acts which constitute the infringement," one does not need to "intend to *be the sole cause* of the acts which constitute the infringement." One need only intend that one's actions will facilitate or encourage the acts which constitute the infringement. This is apparent from the observation that a classic case for the requisite intent is made out when a distributor sells its product with instructions which, if followed, would necessarily result in the infringing acts. *See* CHISUM ON PATENTS § 17.04[4][f] n.48 (2004) (collecting cases).

It should also be recognized that the three elements required for active inducement may interrelate with one another. For example, the actions taken by the defendant to induce the acts which constitute the infringement may also evidence an intent to cause the acts which constitute the infringement. The requirements for both encouragement and intent are likely to be satisfied by providing the type of instructions mentioned above—instructions which, if followed, will result in the acts constituting the infringement.

Similarly, the specificity of the defendant's knowledge as to the acts induced may affect when and whether the requisite intent can be inferred from the actions taken to

induce the acts constituting the infringement. For example, when a defendant "suppl[ies] its products to identified individuals known by it to be engaging in continuing infringement," *Sony*, 464 U.S. at 439 n.19, its knowledge of the use to which those products will be put is more specific and may therefore give rise to an inference of intent regardless of whether the product is "capable of substantial noninfringing uses." Indeed, this is what occurred in *Henry*. These are also essentially the circumstances that the Ninth Circuit limited itself to. *See Grokster*, 380 F.3d at 1162-63. As noted above, however, the theory of "active inducement" is flexible enough to cover a broader range of conduct, as long as the requisite actions, knowledge, and intent are present.

Neither the district court nor the Ninth Circuit recognized that the theory of "active inducement" remains a viable part of "contributory infringement" after *Sony*. Therefore, neither court had occasion to consider the evidence in light of the standard for "active inducement" set forth above. Therefore, even if the district court's grant of summary judgment that Respondents' software is "capable of *substantial* noninfringing uses" is affirmed, the judgment should be vacated and the case remanded for the lower courts to consider whether the facts warrant a finding of "active inducement."

AIPLA takes no position as to whether Respondents should in fact be liable for active inducement. AIPLA merely points out that there may be facts already adduced or evidence not yet developed which may create a genuine issue as to

active inducement.[4] As such, the case should be remanded at the very least for consideration of that question. The district court granted summary judgment and the Ninth Circuit affirmed that judgment without recognizing the theory of "active inducement" and therefore without considering the evidence in light of that theory.

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4. For example, inquiries on remand that may reveal relevant facts include: (1) whether Respondents' advertising promotes their software on the basis of the availability of obtaining unauthorized copies of copyrighted works; (2) whether Respondents' instructional materials explain how to use the software to copy and distribute without authorization files using copyrighted works as examples; and (3) whether Respondents sponsor newsletters, chat rooms, bulletin boards, etc. that promote unauthorized copying and distribution of copyrighted works.

In addition, an analysis of facts already alleged as established in this case should be made to determine their probative value on the question of the requisite intent under the theory of "active inducement," including (1) the effect to be given to the asserted fact that at least at present, the "primary use" of Respondents' software is unauthorized copying and distribution of copyrighted works; and (2) the effect to be given to the asserted fact that Respondents are now generally on notice of the "primary use" of their software for infringing purposes, and continue to distribute their software to new users in the face of this asserted knowledge.

CONCLUSION

AIPLA respectfully requests that this Court recognize that "contributory infringement" in copyright law includes "active inducement" as set forth herein and that a showing of "substantial noninfringing uses" is not a defense to "active inducement." AIPLA further requests that this Court remand the case for a determination as to whether "active inducement" can be established.

Respectfully submitted,

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